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HIGH COMMISSIONER'S PROGRAMME

Forty-seventh session

REPORT OF THE BOARD OF AUDITORS TO THE GENERAL ASSEMBLY ON THE ACCOUNTS OF THE VOLUNTARY FUNDS ADMINISTERED BY THE UNITED NATIONS HIGH COMMISSIONER FOR REFUGEES FOR THE PERIOD ENDED 31 DECEMBER 1995

Addendum 1 - Measures taken or proposed in response to the recommendations in the Report of the Board of Auditors to the General Assembly on the Accounts of the Voluntary Funds administered by the United Nations High Commissioner for Refugees for the year ended 31 December 1995

GE.96-02677

I. INTRODUCTION

1. In accordance with paragraph 10 of General Assembly resolution 47/211 of 23 December 1992, the following is a report on measures taken or to be taken by UNHCR in response to the Recommendations of the Board of Auditors, as contained in the main part of this document. Unless indicated otherwise, all references in the text relate to this document.

Audit certificates

II. RECOMMENDATION 10(a)

2. The accounts of the implementing partners relating to UNHCR funds should be regularly audited by independent audit authorities. Further, the UNHCR Administration should obtain audit certificates provided by them to verify the correctness and propriety of the expenditures incurred by the implementing partners.

Measures Taken by the Administration

UNHCR have developed a revised Audit Certification requirement which is being presented to the Standing Committee (see EC/46/SC/CRP.45). The new approach will categorize implementing partners by type, and will focus on those where risk and exposure are highest. The audit emphasis will move from the previous post facto checking to preventive action. Implementation will take place in the period 1996/97.

Programme budgeting and budgetary control

III. RECOMMENDATION 10(b)

3. The reasons for variations between the initial and revised budgets and the actual expenditures in respect of programme components in the budgets should be analyzed and the findings and recommendations submitted to the Executive Committee every year.

Measures taken by the Administration

UNHCR maintains that an analysis of significant variations between initial and revised operational and administrative budgets is included in the Overview of the Executive Committee document presented to the Executive Committee in October of the revised budget year. A similar analysis of the actual expenditure and revised estimates may be found in the Executive Committee document of the following year. The analysis is done by source of funds and by type of assistance for operational projects in a given geographical region. A more comprehensive analysis appears in the individual country/area chapters presented to successive Standing Committee meetings during which concerned managers are available to answer relevant questions. It should be noted that the variance analysis for administrative budgets combines all sources of funds, and both Programme Delivery (PD) and Administrative Support (AS) costs, in view of the fact that office premises and operating costs are often financed from several sources of funds and are for both PD and AS staff.

IV. RECOMMENDATION 10(c)

4. Inputs for budget estimation should be worked out more reliably in concert with field offices. For this purpose, the database of caseloads (number of beneficiaries) and other required inputs should be updated periodically.

Measures taken by the Administration

UNHCR agrees with the observation and continues to implement measures aimed at improving beneficiary registration procedures and systems. Furthermore, UNHCR's change management project, Project Delphi, made a number of recommendations on the issue of budgetary parameters, including the need to establish benchmark cost data to assist managers in the costing of objectives. These recommendations will be implemented within the Project Delphi framework.

V. RECOMMENDATION 10(d)

5. A factor for inflation multipliers and exchange rate variations should be included in respect of the field office budgets of major expenditure centres. The method of computing the vacancy factor also needs refinement.

Measures taken by the Administration

In view of the politico-economic environment in which well over half the 1995 expenditure was incurred, it is still considered that the additional resources, both human and financial, which would be required to analyse and forecast the inflation and exchange rate variation factors with any degree of reliability would be costly to UNHCR, the degree of reliability would most probably not be reached, and the added value to UNHCR would most probably be minimal. It should also be noted that UNHCR applies United Nations budgeting guidelines and procedures which recommend that, when market conditions make it impossible for organizations to predict the evolution of exchange rates, these should be set at the most recently known United Nations rates at the time of budget formulation and approval. Field Offices may, of course, request a revision to their budgets at any time of the year should operational requirements or any of the primary parameters used in the calculation of budgets have significantly changed. If justified, such requests are accommodated, subject to the availability of funds. Regarding vacancy rates, and as noted in paragraph 63 of the Board's report, UNHCR has agreed in principle to the Board's suggestion to refine the method of computation.

VI. RECOMMENDATION 10(e)

6. Financial Management Information System (FMIS) should be modified to provide for common staff costs percentages separately for general service and professional staff.

Measures taken by the Administration

As noted by the Board, UNHCR uses the United Nations objects of expenditure and 15-digit account code structure to record administrative transactions. The use of this account structure for administrative costs does not enable the separate tracking of common staff costs between Professional and General Service staff and only allows for the tracking of expenditure by fund, year, programme, transaction type (object of expenditure) and location. A change in account code structure (and a parallel modification of the FMIS system) would be required to address the Board's recommendation. This issue, as well as that of the updating of budget system (ABPS) master files, will obviously be examined in the context of Project Delphi, UNHCR's charge management project and relevant improvements will be implemented.

Programme management

VII. RECOMMENDATION 10(f)

7. The impact of uneven funds availability on project formulation and implementation should be reviewed. The inputs for programme planning should be assessed more reliably.

Measures taken by the Administration

UNHCR maintains that the nature of Special Programmes funding, particularly for those programmes that do not attract sufficient donor response, will often result in UNHCR not being able to meet all the identified needs. UNHCR does not, however, wish to impair proper needs assessment by imposing budgetary ceilings on the programme formulation process; a prioritization of identified needs is the preferred method.

VIII. RECOMMENDATION 10(g)

8. Appropriate criteria should be established for selection of beneficiaries for projects, after obtaining adequate data and information. The process of beneficiary selection should be documented to enable subsequent evaluation of achievements.

Measures taken by the Administration

UNHCR agrees with the Board's recommendation and will continue efforts to improve the related mechanisms and procedures.

IX. RECOMMENDATION 10(h)

9. The instructions issued to the field offices regarding preparation of work plans on a selective basis should be reviewed. The Administration should also review the format of the work plan provided in the UNHCR Manual to make it more programme specific and an effective management tool.

Measures taken by the Administration

In 1994, UNHCR suggested that Field Offices establish work plans for projects which they oversee, but stated that the submission of these was optional. In response to the Board of Auditors comments in 1995, submission of such plans was reintroduced as a mandatory component of project submissions. Compliance was inadequate for a number of valid reasons. Work plans did not serve the intended purpose and UNHCR therefore reviewed this issue and revised its policy. On the basis that such plans are not always appropriate or helpful in the sort of large multi-sectoral programmes which UNHCR manages, UNHCR intends to insist on their submission only for operations where such a procedure would serve as a meaningful and effective management tool. The intention is thus to leave to the project manager the decision as to whether or not the preparation of such plans is applicable to the concerned operation.

However, the new Operations Management System proposed under UNHCR's change management project, Project Delphi, will both sharpen the focus of the country operations plans and set them within the framework of integrated objectives for the wider operation(s) to which they contribute.

X. RECOMMENDATION 10(i)

10. Precise and well-defined performance indicators should be included in the sub-project agreements.

Measures taken by the Administration

One of the main recommendations of the Change Management Group on the issue of project planning and monitoring states that more accurate monitoring of objectives against pre-set indicators should be undertaken to assess what has actually been implemented and whether achievements are in line with the original programme objectives and design. Hence, on the basis of an improved objective-setting process, pre-set and standard indicators and self-generated monitoring tools will be developed to allow for more accurate monitoring of objectives. Furthermore, a collaborative effort throughout the organization will be undertaken to develop a set of meaningful indicators to monitor different types of projects or objectives and to devise a user-friendly format for recording which provides substantial and useful information.

XI. RECOMMENDATION 10(j)

11. Programme deliveries should be designed and provided in accordance with a pre-determined time-schedule to suit the needs of beneficiaries.

Measures taken by the Administration

UNHCR agrees that timely deliveries are a critical element in assistance programmes. During 1996 there has been a major examination of the supply chain management process, and a number of improvements are planned during the course of 1997.

XII. RECOMMENDATION 10(k)

12. The capabilities of implementing partners to implement major projects should be assessed in more detail. The deficiencies noticed in the implementation of a project by an implementing partner in Tanzania, should be investigated for taking appropriate remedial measures, including recoveries of overpayments.

Measures taken by the Administration

As part of the ongoing effort to improve implementing partner accounting, delivery and performance, UNHCR is focusing on prequalification and previous performance in the selection of implementing partners. The implementing partners in the United Republic of Tanzania were subjected to an Internal Audit mission in August/September 1996 and the results will enable corrective action to be taken.

XIII. RECOMMENDATION 10(l)

13. UNHCR should ensure that PMRs are received on time and used for project monitoring purposes by all programme managers. Implementing agencies should be advised to submit sub-project monitoring reports (SPMRs) regularly and with complete details.

Measures taken by the Administration

Again, as part of UNHCR's efforts to improve the monitoring and control of implementing partners, programme managers are being advised of their responsibilities to ensure that partners comply with all the terms of the sub-agreement, particularly with respect to reporting, and that reports are examined, acted upon and submitted to Headquarters on a timely basis. New project monitoring software at Headquarters is being used to follow up on overdue reports.

XIV. RECOMMENDATION 10(m)

14. Appropriate procedures should be established by field offices to evaluate programme achievements and outputs. The findings of such evaluations shall be utilized in programme planning and implementation.

Measures taken by the Administration

In the course of UNHCR's change management project, Project Delphi, it was recognized that there was a need to establish a system which builds evaluation, particularly self-evaluation, into an operation and links it clearly to achieving objectives. An initial Project Delphi report recommended that self-evaluation mechanisms be instituted requiring individuals and units to determine actual performance measured against objectives. Headquarters would provide general guidelines, ensuring organizational uniformity, while units would generate additional specific, relevant elements for self-assessment. Further work on this issue will be undertaken within the framework of Project Delphi, UNHCR's change management project.

Procurement

XVI. RECOMMENDATION 10(n)

15. Field offices should be required to send receiving reports, giving complete details, within a set period, in respect of goods ordered on their behalf by the UNHCR headquarters. Prompt follow-up action should be taken in all cases to call for outstanding reports, analyze them on receipt and file insurance claims where goods have been short-delivered or delivered in damaged condition.

Measures taken by the Administration

Action has been taken to call for outstanding reports. The UNHCR central procurement section is actively engaged in the follow-up process to ensure that reports are verified and reconciled and that necessary action is taken on short or damaged deliveries.

UNHCR has started a Supply Information Management System project (SIMS) to improve the supply chain. This will be implemented in phases and one of the more immediate changes will be the introduction of new procedures for tracking delivery through the whole chain including the return of the receiving report.

XVI. RECOMMENDATION 10(o)

16. Annual procurement plans should be obtained from all field offices and procurement planning should be strengthened further to ensure economy and efficiency in procurement planning.

Measures taken by the Administration

The 1996 purchasing plan exercise resulted in the highest ever number of plans submitted to Headquarters by Field Offices. The 1997 exercise requires Field Offices to report all procurement anticipated in the course of 1997, including that of implementing partners. It is anticipated that the comprehensive picture that emerges will provide the necessary data to enable Headquarters to evaluate the need for frame agreements and/or other arrangements in order to reduce costs and improve delivery to project sites.

XVII. RECOMMENDATION 10(p)

17. UNHCR field offices should be instructed to review the procurement procedures adopted by implementing partners to ensure that they adhere to competitive bidding procedures.

Measures taken by the Administration

A new unit within the Supply and Transport Section at Headquarters has provided a focus for training activities specifically targeting UNHCR and implementing partner staff in the field in the areas of procurement and logistics. Furthermore, a section on procurement is included in UNHCR's programme management handbook for implementing partners.

XVIII. RECOMMENDATION 10(q)

18. The procedures for need assessment and requisitioning for bulk items should be reviewed in light of the unplanned procurement of Lysol for a field office which resulted in wasteful expenditure of $3.04 million.

Measures taken by the Administration

While these procedures are being reviewed within the framework of the Supply Information Management System project (SIMS), UNHCR maintains that the events related to this particular bulk procurement were largely beyond its control, given the circumstances prevailing in the former Yugoslavia at that time.

Human resources management

XIX. RECOMMENDATION 10(r)

19. Additional training programmes should be conducted in subjects closely related to the operational requirements of UNHCR. Action should also be taken to obtain a commitment from the sponsoring agencies that the trained personnel would work for an appropriate period of time in the areas in which they were trained.

Measures taken by the Administration

The training programme for implementing partner staff is ongoing and is an integral part of UNHCR efforts to improve the performance of implementing partners. A new implementing partner handbook has been published to complement the effort.

UNHCR will do all that it can to ensure in advance that implementing partner staff attending courses will remain in place after the training. Seeking such a commitment and ensuring that it is honoured is difficult.

Integrated Management Information System (IMIS)

XX. RECOMMENDATION 10(r)

20. UNHCR should establish a strategy for developing and updating its information system (IS) compatible with the organization's corporate objectives. The strategy should include the steps required to customize IMIS to meet the specific requirements of UNHCR and priorities for implementation.

Measures taken by the Administration

UNHCR information systems development has always been undertaken within the overall framework of organizational objectives and user requirements. As part of the UNHCR change management project, Project Delphi, a high level IT Strategy has now been prepared which deals with the computing requirements arising from Project Delphi and related developments. Following this UNHCR will undertake an analysis of the gap between the IMIS Financial Module and UNHCR requirements. After this stage, implementation priorities can be planned.

Financial statements

XXI. RECOMMENDATION 10(s)

21. The Accounting policies and notes to the accounts should be provided in the financial statements distinctly and clearly with cross-references to individual statements.

Measures taken by the Administration

This will be done with the next financial statements, i.e. for the year 1996.